

MAKING BUSINESS A PARTNER IN REDEVELOPING ABANDONED CENTRAL CITY

PROPERTY:

IS PROFIT A REALISTIC POSSIBILITY?

Dr. Elise Bright, Associate Professor
City and Regional Planning Program
School of Urban and Public Affairs
University of Texas at Arlington
Box 19588, Arlington, Texas 76019
bright@uta.edu

Submitted to the Federal Reserve System's Third Community Affairs Research Conference,

"Sustainable Community Development: What Works, What Doesn't and Why"

The Capital Hilton, Washington, D.C.

March 27-28, 2003

Prepared with Funding from the National Center for the Revitalization of Central Cities

Dr. Fritz Wagner, Director
College of Urban and Public Affairs
University of New Orleans
New Orleans, LA 70148

**MAKING BUSINESS A PARTNER IN REDEVELOPING ABANDONED CENTRAL CITY
PROPERTY:
IS PROFIT A REALISTIC POSSIBILITY?**

ABSTRACT

A tremendous, and largely unrecognized, opportunity for revitalization may exist in many American central cities in the form of temporarily obsolete, abandoned, derelict sites, or TOADS (Greenberg and Popper, 1994). Tentative data indicate that TOADS are common in central cities. Yet their potential economic contribution if reused/redeveloped remains largely untapped.

The overall goal of this research is to determine under what circumstances the reuse/redevelopment of TOADS can have significant positive economic impacts. It was hypothesized that the degree of positive economic impact would vary with the range of methods used to encourage TOADS reuse and with the presence of brownfields.

First, information on successful programs in major US cities was studied in order to identify a range of successful methods for TOADS reuse. Next, economic impacts of reuse of several TOADS sites in Dallas and Fort Worth were analyzed, using fiscal impact analysis, benefit-cost analysis, and other statistical methods whenever possible, in order to see whether their redevelopment had a significant positive economic impact and whether the degree of impact varied with the range of reuse methods used or with the presence of brownfields. Then, a mail-out survey of all cities over 100,000 population was conducted to determine how many TOADS central cities have now, what the costs of these TOADS are, and what barriers to TOADS redevelopment may exist. Finally, the data was synthesized to draw conclusions about the potential costs, benefits, and barriers to widespread reuse/redevelopment of TOADS.

MAKING BUSINESS A PARTNER IN REDEVELOPING ABANDONED CENTRAL CITY PROPERTY: IS PROFIT A REALISTIC POSSIBILITY?

INTRODUCTION

A tremendous, and largely unrecognized, potential for revitalization may exist in many American central cities in the form of temporarily obsolete, abandoned, derelict sites, or TOADS (Greenberg and Popper, 1994). Tens of thousands of these neglected properties (some of which are also brownfields) dot the landscapes of cities from Boston to Los Angeles, contributing to central city decay and precipitating further declines in the quality of life of low income neighborhoods. Data collected as part of previous research indicate an enormous inventory of TOADS: for example, in 1995 52,000 lots in Detroit were publicly owned due to tax delinquency; 16,000 were publicly owned in Cleveland before its redevelopment effort began; 20% of the lots were vacant TOADS in Boston's Dudley neighborhood before its revitalization; and in 1993, one in every three lots was tax-delinquent in Fort Worth's Near Southeast neighborhood and one in seven was city-owned (Bright, 1997). In a few innovative cities these properties have been reused and redeveloped (see, for example, Medoff and Sklar, 1994), but these cases are the exception rather than the rule: in many cities these properties are not being reused even though the cities themselves may own them. This situation begs the question: what is the profit potential of this resource? This study is a first step toward answering that question.

The overall goal of this research is to determine whether the redevelopment of TOADS can have a significant positive economic impact, and if so, under what circumstances. It was hypothesized that the degree of positive economic impact varies with the range of public sector incentives used to encourage TOADS reuse and the presence of brownfields.

LITERATURE REVIEW

An extensive search has revealed that there is a wealth of literature on related topics, but virtually nothing that directly addresses the proposed hypothesis. The most relevant works are summarized below.

Affordable Housing and Urban Redevelopment in the United States (van Vliet, ed, 1997) offers insightful commentary on a variety of neighborhood redevelopment projects, many of which involve reuse of TOADS. The material in this book proved useful as background for this research. Coverage of the projects by different authors, coupled with the lack of a consistent format, makes determination of the projects' economic impacts difficult at best; one cannot fault the editor for this, since the book's purpose is project documentation rather than economic impact assessment.

Cities Reborn (Levitt, 1987), *Adaptive Use* (Martin, 1978), *Adaptive Reuse* (Burchell and Listokin, 1981), and *Downtown Inc.* (Frieden and Sagalyn, 1990) are typical of a body of literature which presents case studies of downtown revitalization projects, some of which involve reuse of TOADS. However, the economic impacts of the projects are not systematically documented, and the reuse of TOADS is simply mentioned in passing. These studies do offer valuable models for use in presenting case study material.

Streets of Hope: the Fall and Rise of an Urban Neighborhood (Medoff and Sklar, 1994) is really not a scholarly work but rather an extensive report of how Boston's Dudley Street Neighborhood Initiative came about. Even this book-length account is sketchy on the effects of the redevelopment on the neighborhood's economy, though. Additionally the book is in need of updating, since most of the reuse of TOADS has occurred since 1994.

Organizing the South Bronx (Rooney, 1995) provides a good overview of revitalization efforts in this section of New York, but detailed information on finance is lacking. Additionally, the

book does not give a broader picture of revitalization elsewhere in the city, despite the extensive programs for reuse of TOADS (and the enormous TOADS problems) in New York.

The NCRCC's book *Urban Revitalization: Policies and Programs* (Wagner, Joder and Mumphrey, eds, 1995) does address a broader perspective and contains much valuable information on redevelopment in Minneapolis, Portland, Atlanta, Fort Worth, Baltimore, and some parts of New York, but its focus is neither on the reuse of TOADS nor on the economic impacts of redevelopment. For example, the chapter on Fort Worth includes information on the cost of several successful projects as well as data on one marginally successful project and two failed ones in low income areas, but it does not mention the role of TOADS in these projects; later works (Cummings, 1998; Bright, 1995) reveal that the high percentage of TOADS which were not redeveloped may have played a role in the failed projects' demise.

Other relevant works either focus on the political aspects of TOADS redevelopment (for example, Mier's 1993 book, *Social Justice and Local Development Policy*, covers the Washington administration's role in neighborhood revitalization in Chicago); on examples from other nations (see Judd and Parkinson, 1990; Alterman and Cars, 1991); on a particular city rather than on reuse of TOADS (for example, *Cleveland: a Metropolitan Reader*, Keating, Krumholz and Perry, eds, 1995); or on one aspect of redevelopment (see, for example, Rogowsky and Berkman, 1993; Schwartz, 1997).

Cleveland State University Associate Professor Robert Simons has collaborated with others on several articles that address the economic impacts of various aspects of low income housing provision (Simons, Magner and Baku, 1999; Simons, Quercia and Maric, 1998; Simons and Sharkey, 1997). Two of these articles measured the fiscal impacts of subsidized new and rehabbed housing in Cleveland, finding returns to the public sector of 40 cents per dollar invested in housing in the early 1990s and 75 cents per dollar for housing built at the end of the decade. The most recent

study expanded the methodology used to NHS programs throughout the country, with similar results. These studies are very relevant with respect to some of our research questions, but they do not address the same scope of issues.

Finally, a book of case studies of redevelopment using TOADS in inner city neighborhoods was recently published (Bright, 2000). These case studies are the most relevant literature found with respect to the proposed research, as they do focus on redevelopment of TOADS and are not confined to downtown. Cleveland's Hough district and Boston's Dudley Street Neighborhood Initiative were studied in depth; Seattle's regional housing bonds and Judkins Park reuse efforts, Portland's infrastructure investments in the Burnside neighborhood and regional growth management, Minneapolis' MCDA programs for tax-delinquent property, St. Paul's Lowertown area, New York's in-rem and other tax-delinquent property management programs, and Pittsburgh's pioneering use of the Community Reinvestment Act, were also studied. The case studies do not address the issue of the economic impacts of TOADS redevelopment; thus the current research builds on this previous work.

METHODOLOGY

The majority of data used came from developing case studies of projects in central Dallas and Fort Worth. Economic impacts of the reuse of five TOADS sites were investigated in detail. The data collection effort quantified as many direct central city economic impacts from reuse/redevelopment of TOADS as possible, and also identified qualitative impacts. Both annual and total direct economic costs and benefits were considered. Sources of data included in-person interviews with key stakeholders (private developers, residents, nonprofit agencies and city staff), site visits, published material, and telephone interviews. The following projects and programs were investigated.

The West End Historic District: The West End is a 36-block (55 acre) National Register Historic District of formerly abandoned red brick manufacturing and warehouse buildings dating mainly from 1900-1929, which is now home to nearly 150 specialty shops and an equal number of restaurants, bars, and other attractions such as an aquarium, the Sixth Floor Museum and Dealey Plaza (site of the Kennedy Assassination), along with a cluster of remaining warehouse facilities. After World War II the area declined rapidly, as railroad transport was replaced by trucks. After many years of abandonment, in response to pressure to demolish the buildings and build skyscrapers the city council approved creation of the historic district in 1975. The height and design restrictions imposed helped protect the buildings from demolition, but by 1980 most of them were still vacant. Turnaround began in the early 1980s, when the city made major investments in landscaping and street improvements and agreed to freeze taxes on historic renovations, and the federal government implemented investment income tax credits for renovating historic buildings and made UDAG grants available. By late 1986 the West End had returned to life, as projects like the conversion of the West End MarketPlace from a cookie factory to a festival market area modeled after Boston's Quincy Market and the development of Dallas Alley--a 30,000 square foot collection of night clubs—were completed. From 1979-86, land values in the West End rose 400-600 percent. Then the economic crash of the late 1980s hit the West End hard, and many shops closed. But in 1993 a ten-screen movie theater was added to the MarketPlace, followed a year later by Planet Hollywood. In 1993 the city revamped its historic preservation incentives. A major renovation of the MarketPlace was soon under way; many existing t-shirt and Texas-oriented shops were replaced with more appealing specialty retail shops, and pushcarts were added. The complex now also has two 18-hole miniature golf courses, a game arcade, and a newly expanded food court; residential units are now being built.

Jefferson at the North End: A new in-town residential district is being developed just north of the West End, at the newly named "North End," where a new sports arena has just been built for the Dallas Stars hockey and Dallas Mavericks basketball teams. In early 1998 JPI completed the 540-unit Jefferson at the North End project, an upscale apartment complex geared toward DINKS, with many amenities and 20 percent of the units reserved for low and moderate income tenants. Jefferson was built on part of a 22.2-acre brownfield site (a former paint factory), and served as a pilot project under the US EPA's Brownfields Showcase Communities program. Nearby land uses include small businesses and abandoned, heavily deteriorated multistory warehouses as well as cleared land that is contaminated. Additional residential and entertainment development associated with the arena and with Jefferson is anticipated.

The Cedars: A 500-acre industrial and food-processing district immediately south of the CBD, this area is also experiencing a residential revival. First opened for development in 1876, the Cedars quickly became home for Dallas' most prominent merchants. But the pattern of leapfrog development and decay that became common in cities throughout the country soon appeared in the Cedars: as streetcar lines were extended affluent families began leaving, and by the 1920s many of the Cedars' fine homes had been destroyed and replaced with commercial and industrial uses. The neighborhood has been declining ever since, losing more than 6,000 residents between 1960 (population 7688) and 1980 (population 1444). But in the mid-1990s a new transit station opened and residential redevelopment began in earnest. Now seven loft conversions of old warehouse and industrial buildings into 630 units have been completed.

Lakewest Community—This mixed use, mixed income development is now being built on a 460-acre former brownfield mainly owned by the Dallas Housing Authority (DHA). A lead smelter operated across the street for 50 years beginning in 1934; meanwhile in 1953 and 1954, the Housing Authority built about 3,500 units of racially segregated public housing on the site. The area was

contaminated not only from emissions, but from battery casing chips that were distributed to residents to be used as fill for driveways and gardens. The first cleanup was completed in 1985; resident complaints led to DHA-funded cleanup of additional areas in the early 1990s, including building demolition and extensive soil removal. Meanwhile, the Walker Supplemental Consent Decree of 1990 required that 2263 units be demolished and the residents dispersed in order to reduce segregation; the remaining 1200 units were allowed to remain. About 800 of these have been renovated; the rest will be replaced by 471 new apartments, townhomes and single family homes. A master plan done for the area (now called the Lakewest Community) in 1994 called for reorganization of the units into four areas of new and renovated housing, with the vacated land used for a community center, outdoor recreation and lake, affordable and market rate owner-occupied and rental housing built by the private sector, small businesses, and redevelopment of the 151,000 square foot Dallas West Shopping Center.

Near Southeast Fort Worth—Located just south of downtown, this 1.36 square mile area is one of the poorest in the city. About 35 percent of the area could be considered TOADS. Historically the home of the city's African American population, the formerly mixed income neighborhood began declining in the 1950s and continued until the mid-1990s; by 1998, just 2058 people remained. The catalyst for revitalization was the 1992 start of the Weed and Seed grant program—designed to “weed” out criminals and “seed” economic and service opportunities—in Near Southeast. Since its inception there has been an astounding 69 percent drop in crime, particularly theft, robbery, assault and burglary. The city's effort to demolish vacant buildings has helped reduce drug dealing and prostitution; Habitat for Humanity has built 66 new homes in the area since 1993 (including 14 since the Dream Homes program began); in 1995 a CDC was formed, and in 1997 the city initiated the Infill Housing Program, or Dream Homes, a partnership between

the city, Habitat, and Choice Homes to reuse TOADS. However, in 1999 Choice Homes pulled out after completing 75 of the anticipated 100 homes.

Two classes of graduate students collected the data. Significant difficulties were encountered during this phase. Data availability was very uneven: for example, data from the private sector participants would be readily available for one project but virtually unavailable for another. Unfortunately, the same situation proved to be the case for the public sector. Utilizing personal friends, professional contacts, alumni, Internet sites, library resources, city records, and persistent effort to contact those involved via phone, fax, personal visits and email, most of these barriers to data collection were eventually overcome.

The data were then analyzed, using fiscal impact analysis and other appropriate methods (Davis, 1990), in order to see whether the redevelopment had a significant positive economic impact and whether the degree of impact varied with the range of redevelopment methods used or with the presence of brownfields. More methodological obstacles were encountered here. Several research assistants searched the literature for guidance regarding post-completion project economic assessment methodologies; students in classes culled the literature on urban redevelopment, on methods for assessing the economic impact of projects subject to NEPA (the law that requires preparation of environmental impact statements), and on economic analysis methodologies such as market analysis, fiscal impact analysis, cost-benefit analysis, and economic base analysis. We found several useful ideas, but none gave a complete picture of the economic impacts of a project, and each method reflected different stakeholders' interests (private developer or school board member, for example) and different goals (minimizing public investment, creating jobs, maximizing profit, etc.). Further, most methodologies were designed for use at a larger scale than project level. Thus the classes and research assistants worked together to develop a range of analysis methods

(modifying existing techniques and developing new approaches) that were logically justifiable, utilized available data, and gave a fairly complete picture of economic impacts.

The case studies were supplemented by a survey designed to establish a baseline of the number of TOADS that exist in American cities with populations greater than 100,000, and to collect data on the costs and benefits of their redevelopment. Nearly 100 survey responses were received from cities in 32 states--a response rate of almost 45 percent. We utilized the results of the survey, the literature search and the case studies to examine the potential costs and benefits of a program to reuse/redevelop TOADS nationwide, to draw conclusions about the potential costs, benefits, and barriers to widespread reuse of TOADS, and make policy recommendations.

FINDINGS

Market study

Analysis conducted for this report shows that there is significant demand for residential units in the Dallas in-town housing market, which includes TOADS redevelopment in the Cedars, the North End (Jefferson) and the West End: new residential development there has the opportunity to draw from a growing pool of potential residents (the downtown population is expected to increase by 84% by the year 2010) with more than \$80 million to spend on housing. Based solely on the housing demand market, the prospects of a new residential development in the Cedars, the West End or the North End obtaining a high level of occupancy appear to be very good. It is also clear from current leasing rates and waiting lists that the supply is far from meeting the demand for in-town housing: for example, MPF Research Inc. reports multifamily communities in the area covered by the Intown Housing program (6943 units built since 1990, including 540 in Jefferson, 630 in seven projects in the Cedars and 41 in two projects in the West End) had a 95 percent occupancy rate in 1999, after increasing rents by 5.4 percent over 1998 levels. Projects have been announced that will add 4,479 more units.

Market study of the retail projects shows that the West End fills a very unique niche, with Sundance Square in downtown Fort Worth being the closest similar area. Thus it is fair to consider its trade area to be the metropolitan area, which has been experiencing an economic boom for several years. In the early 1980s and early 1990s the West End's market suffered; in the first case due to insufficient development incentives and lack of public investment in infrastructure, and in the second case due to a major economic downturn in north Texas. Recently, the outlook has been better: occupancy ranged between 82% and 94% in 1995-99. Still, some buildings have remained vacant to this day due in part to speculation (for example, the Awalt Building), and others were renovated only recently (for example, the 65,000 square foot Oilwell Supply Building). Thus if the metropolitan economy remains strong, so will the market for the West End; if it slumps, the West End will too. A market analysis conducted for the Lakewest shopping center showed that trade area demand for retail commercial and services is more than adequate to support the shopping center, despite the fact that 51 percent of residents in the surrounding area had incomes below the poverty level in 1990. The shopping center is the only one within a five mile radius, serves a population of 35,000, and includes the only grocery store within a three mile radius; not surprisingly, occupancy (95%) is above the Dallas area average (88%) and rents are increasing.

The Lakewest and Near Southeast housing projects are geared toward a very different market—the low-income population--than are the Cedars and Jefferson. Although no market analysis of low income housing demand was conducted, it is quite clear that Lakewest demand is more than sufficient to warrant the proposed construction. In Fort Worth, Habitat for Humanity builds homes for families with incomes of \$12-31,350 and, not surprisingly, buyers are plentiful. Monthly payments run as low as \$250, thanks to use of up to \$10,000 in loans from HUD's Self-Help Home Ownership Opportunity Program (SHOP) to buy land and provide infrastructure,

donated materials, the 300 hours of sweat equity that buyers must provide, other volunteer labor, and Habitat's zero interest mortgage financing.

Of all the projects studied, market demand was only an issue with Choice Homes (which was guaranteed a \$10,000 profit per unit). The builder pulled out of the Dream Homes Infill Housing Program after 19 months and construction of 75 of the expected 100 homes, citing lack of demand due to increased lot prices (speculation) on privately owned lots and continued problems with city services, government administrative barriers (demolition permit request processing, for example), and cost of government fees, liens, etc. Sales prices for Choice Homes range from \$40-70,000, with the most popular being a 1250 square foot home for \$55,000. The Fort Worth Housing Finance Corporation provides zero percent interest financing up to \$15,000 for first-time homeowners earning less than 80 percent of median income. Note that even with the FWHFC mortgage, Choice Homes' most popular model requires a buyer with considerably more income than the best HFH home. Perhaps this relatively high home price explains the lack of demand cited by the builder; these moderate income buyers have a choice of neighborhoods, and are not choosing Near Southeast. Since the home prices were in part caused by lack of government subsidies and high government fees as compared to the other projects studied, this project offers clear lessons regarding what works in TOADS redevelopment.

Government assistance

Market demand is not always enough to entice a developer to undertake a TOADS redevelopment project, particularly in an unproven, potentially risky market. The potential economic returns must be great enough to balance developers' and tenants' negative perceptions of the area. In order to make redevelopment an acceptable risk for the developer and lenders, public assistance, in the form of tax abatements or credits, developer participation programs, or other credits are often required. Incentives of this type are typically used by cities to promote corporate

(and increasingly, retail commercial and residential) reinvestment in areas where free-market forces alone cannot generate desired redevelopment outcomes. In support of central city redevelopment, cities now spend millions of dollars each year in developer participation funds and infrastructure improvements, and forego millions in potential revenues through tax abatements. Again, Dallas and Fort Worth are representative of this national trend.

In order to encourage development in the in-town area (the CBD and a one-mile wide strip surrounding the loop) and provision of retail and housing for low income people in several parts of town, the City of Dallas has made available a combination of tax abatements, infrastructure cost participation, development fee rebate incentives, tax increment financing (TIF) districts, Section 108 loans, Historic Landmark tax credits and Enterprise Zone tax exemptions. These incentives have been used in Jefferson, two projects in The Cedars (Southside on Lamar and the American Beauty Mill), the West End and Lakewest, as described below.

Tax Abatements: Jefferson at the North End received a ten-year, 100 percent tax abatement from the city and the school district, with the condition that 20 percent of the housing units be reserved for low and moderate income residents in accordance with the city's Intown Housing Program guidelines (which set the income limit at 120 percent of the area's median income, by family size). This abatement will save JPI more than \$2.1 million in property taxes over the ten-year period. In the Cedars, the American Beauty Mill building received ten year, 100 percent tax abatements from the county and the school district and a 15-year abatement from the city; Southside on Lamar received a mixture of 10 and 15-year abatements on various parts of the property, depending on its historic status (see, Historic Landmark Tax Credit, below) The West End also benefited substantially from historic preservation tax credits.

Infrastructure cost participation: The City of Dallas matched 30 percent of the infrastructure costs at Jefferson at the North End, a subsidy of \$271,816. This project also received right of way

abandonment credits. Since the Lakewest property is in an Enterprise Zone, development there will be eligible for infrastructure cost participation too. In the West End, the city invested \$1.3 million in landscaping and street improvements in the early 1980s, and another \$4 million in the mid-80s; in the mid-1980s several federal UDAG grants were used to improve the area.

Development fee rebates: Jefferson at the North End received a 100 percent rebate of these fees. Development in the Lakewest Community will also be eligible for this.

TIF Districts: The City of Dallas has created four tax increment financing (TIF) districts, one of which encompasses approximately three fourths of the Cedars. The purpose of the TIF is to fund nearly \$11 million in streetscape, lighting, gateway and other infrastructure enhancements throughout the Cedars in order to "seed" new development projects in the area. Increased property tax revenues resulting from redevelopment within the TIF boundaries will pay for these improvements. In order to repay the bonds issued to cover the estimated \$11 million dollars needed for these improvements, the TIF study assumes that 700 new residential units averaging \$45,000 each, 400 hotel rooms at \$60,000 each, 55,000 square feet of retail at \$75 per square foot, and 300,000 square feet of distribution center/flex office space at \$100 per square foot will be developed by 2012. According to the report, these figures are based on a "moderate" development scenario. However, so far the major redevelopment projects in the Cedars have been located outside of the TIF area.

PID district: The West End is part of the downtown Dallas public improvement district (PID), in which property owners have agreed to assess a special tax to fund improvements in lighting, streetscape, signage, security, etc. Note that unlike other items listed, the PID and the TIF listed above are self-supporting rather than sources of outside financial aid.

Section 108 Loans: To encourage adaptive reuse of office buildings for residential uses, and to increase the feasibility of "substantial intown residential development," the City of Dallas, in

conjunction with the U.S. Department of Housing and Urban Development (HUD), has authorized the issuance of Section 108 Loans. The federally guaranteed loans require the developer to "demonstrate that 'but for' the financial assistance of the City, the project would not be financially feasible." The value of the loans may not exceed 40% of the total cost of the project, and the financing by the City cannot exceed the amount of the first lien. An additional condition of the loan is that the City requires all development projects that receive financial assistance to set aside twenty percent of the units developed as "affordable" units. The City's definition of "affordable" is that a household earning 80% or less of the Dallas-area median income for households of a given size could afford the unit. This program was utilized by the American Beauty Mill and the Southside on Lamar projects in the Cedars.

Historic Landmark Tax Credit: This incentive, administered by the Historic Preservation Program, allows the City to abate real property taxes for 10 years on rehabilitation or conversions. The building must be designated as a "City of Dallas Landmark" by the Landmark Commission with final approval by the City Council. The Landmark Commission is appointed by the City Council and is assisted by City's Historic Preservation staff. Both the American Beauty Mill and Southside on Lamar projects in the Cedars utilized this incentive program. Most of the West End's redevelopment is due to the federal historic preservation tax incentives and the city's property tax incentives for historic renovation, which make it economical to preserve these buildings instead of replacing them with taller, newer structures. In the early 1980s the federal government implemented investment income tax credits for renovating historic buildings and the city agreed to freeze taxes for eight years for historic renovations. The city program was revamped in 1993, an action that helped fuel the West End's rebirth. For example, the Oilwell Supply Building developer got a 10 year tax abatement worth \$285,000 under the city's Preservation Incentives Program for large scale restoration.

Enterprise Zone: The Cedars, Jefferson at the North End, the West End and Lakewest all lie within state designated enterprise zones, which allow a business within the zone to receive a state sales tax rebate of \$2000 per new job for up to 625 employees. The Enterprise Zone designation was cited by the city in granting tax abatements to the Jefferson project. Additionally, the City will grant corporate franchise tax reductions if a business creates a minimum of 100 jobs within the zone. For a project creating or retaining at least 10 jobs, or making a minimum investment of \$1 million, an owner can achieve a 90 percent abatement of value added for ten years (50 percent for five years on business personal property), with bonuses given for hiring half the workforce from within the enterprise zone.

Brownfields: Another source of government assistance is in the area of cleanup of contaminated sites. For example, the FDIC spent \$800,000 for cleanup of the site for Jefferson at the North End, and the Texas Natural Resources Conservation Commission offered relief from liability through its Voluntary Cleanup Program. Cleanup lasted more than a dozen years, ending with the Certificate of Completion issuance in late 1995. Separating the cost of cleanup at Lakewest from cost of demolition, architect and engineering fees, etc. is difficult; however, disposal of hazardous material from just one of the four areas within the property cost more than \$3.5 million. In this case, costs were borne mainly by DHA.

Note the absence of the Near Southeast Dream Homes program from all the above. Although the city was supposed to partner with Choice Homes and Habitat in this program, it was difficult to discern what incentives were offered. For example, Choice Homes was not given any fee rebates but faced the full gamut of building permit fees, engineering costs, impact fees and tap fees, as well as the delays caused by the normal development review process, for its low income housing units (back taxes were not waived on the TOADS, either); these construction fees, for Choice and Habitat, produced \$34,682.50 in revenue for the city. The city is trying to provide some help,

however. It is pursuing a \$7.5 million Section 108 loan (and has received \$1.5 million in CDBG funds) for a proposed mixed use development, Heritage Center, in the southwest corner of the neighborhood, that could provide 70-100 new jobs for the area. It provided a loan to the CDC to renovate existing homes for mixed income buyers, and designated part of the neighborhood as a Model Blocks site. The city is participating in major transit improvements near the northern and southern edges of the neighborhood, ranging from street redesign to provision of rail. Finally, the city bought a vacant school site for \$240,000 and plans to utilize it as a business assistance center. Unfortunately, most of this assistance is not yet in place, so was not available to support the Dream Homes effort.

Overall project costs and revenues

Total cost for Jefferson at the North End was \$40,074,000, of which \$1.7 million was provided by the public sector (for infrastructure and cleanup, as mentioned above). The private sector paid \$1.9 million for cleanup of a 3.5-acre portion of the 22.5-acre site, bringing the total cost of using a brownfield site to \$2.7 million. Land cost, including the brownfields expense, was \$6.5 million. Subtracting the cleanup costs, this amounts to a pre-cleanup price of about \$4 per square foot (a price comparable to that of uncontaminated vacant commercial property in the suburbs). Infrastructure (including the public contribution) was \$906,000; and the cost of the buildings and other improvements was close to \$31.9 million. Interestingly, the parcel was appraised at just \$19,652,430 on the 1998 tax rolls (\$5,059,200 for land and the rest for improvements), yet reliable estimates placed its market value at more than \$50 million that year. Total revenues from rent are expected to be slightly more than \$7.1 million annually.

Cost information for the Cedars was only available for the American Beauty Mill and Southside on Lamar projects; however, these two account for 537 of the area's 630 residential units. The largest, the ten-story former Sears Catalog warehouse that closed in 1993 and is now known as

Southside on Lamar, will contain 1.3 million square feet of space when finished in 2005, including 457 residential units, a rooftop pool, fitness center, business/conference center, theater and billiard rooms. Total cost is estimated at more than \$100 million; a total of \$9,205,352 in tax abatements and exemptions (see above) help make the project financially feasible. Rental revenue projections are over \$5.6 million per year; the developer expects 95 percent occupancy, and already has units being reserved. The American Beauty flour mill was built in 1913 and closed in 1973; it remained a TOAD for 23 years. Its redevelopment cost approximately \$4 million; around \$800,000 in tax abatements and exemptions were received. The project generates \$993,360 a year in gross rental revenues and is 95 percent occupied. Appraisal district records show that the property's assessed valuation rose from just over \$200,000 in 1996 to more than \$3.4 million in 1998 as a result of this TOAD redevelopment.

The Lakewest Community is expected to have a capital cost of \$64.5 million, about \$3.2 million of which will be covered by city contributions toward building demolition (\$1.5 million), a gift of \$175,000 from Rangers player Johnny Oates, and the sale of 46 acres of land to Goodwill Industries for \$1.5 million. Construction of the new housing units alone will cost \$29,420,000. Revenues of \$11,675 per month in rent, \$7,588 in utility fees, and HUD funds of \$149,440 per month help offset the project's operating costs. In 1992 the 151,037 square foot Lakewest shopping center was just 47% occupied, and net cash flow was less than \$50,000. DHA acquired the property for \$1.9 million and invested \$2.6 million in renovation. In 1996, just one year after the renovation, occupancy increased to 97% and net operating income exceeded half a million dollars. Appraisal district records show that the shopping center's assessed valuation in 1997 was \$3,133,340, of which just \$324,220 was for the site's 13.839 acres of land. The assessed value of the property rose dramatically after the shopping center was renovated; still, this value falls far short of the market value, computed using three independent methodologies, of \$5.7 to \$6.2 million.

Cost data for Near Southeast was very sketchy; however, Appraisal District records show an average preconstruction lot value of \$15,000 for Choice Homes lots and a post-construction value of \$55,000. Addition of the Choice Homes to the neighborhood should produce \$16,000 more per year in property tax revenue.

A total of \$25 million was invested in the West End MarketPlace's redevelopment in the late 1980s; in 1993 another \$6.5 million was invested in the building's renovation. The MarketPlace's appraised value reflects—several years after the fact—the temporary dip in its fortunes that occurred in the early 1990s and prompted its renovation: its appraised value dropped from \$461,530 in 1994 to just \$225,000 in 1996, then rose to \$306,000 in 1998. Dallas Alley redevelopment cost \$3.5 million. The 65,000 square foot Oilwell Supply Building remained unused despite \$4.24 million invested in renovation in the 1980s, until a \$2.5 million renovation in 1998 succeeded in attracting a restaurant, retail shops, a museum and offices. These are only three of the approximately 40 buildings in the area; analysis of project cost data for the rest is beyond the scope of this study.

Fiscal Impact Analysis

A fiscal impact analysis (Service Standard method) of the 630 residential units recently constructed or currently under construction in the Cedars indicates that these residential units almost pay for themselves, before tax abatements are figured in. The municipal government is projected to generate less revenue than that required to provide adequate city services to the residents, while the school district is projected to generate surplus revenues (people per household multiplier 1.75, children per household multiplier .083). However, when the fifteen-year tax abatements granted for the American Beauty and South Side on Lamar projects are included, the net annual fiscal impact is projected to be a loss of over \$750,000, or \$11.2 million over the term of the abatements.

Similar results were obtained from a fiscal impact analysis of the Jefferson project, using the same methodology as in the Cedars analysis but with a different multiplier for people per household (2.741--to account for the different mix of units from the Cedars) and a range of children per household (.083, as in the Cedars, to .570—to account for the possibility of more children in the larger units). As in the Cedars, this development will probably generate a small surplus in school district revenues and a small loss in city revenues before tax abatements are figures in; after abatements, a net loss of three to four hundred thousand dollars a year is likely for the ten-year abatement period.

A fiscal impact analysis of the new Lakewest housing units, using the same methodology as Jefferson and the Cedars but with different multipliers (2.246 for households and .274 for children) shows net losses of nearly \$800,000 annually for the city and slightly over \$600,000 for the school district—remarkably small figures in view of the fact that DHA pays no property taxes. A second analysis was run to determine the effect of reducing the population in accordance with the Walker Decree; this showed that if this event had not occurred the school district would lose more than \$1.1 million from the project and the school district would lose more than \$1.7 million annually. Thus it appears that, at least for fiscal impact analysis purposes, desegregation and dispersal of public housing residents makes economic sense.

A fiscal impact analysis for the Dream Homes program using a different method (per capita multiplier) showed total city costs of \$96,000 and revenues of \$113,918, and total school costs of \$584,256 and revenues of \$530,683. Thus it appears that this program is producing a small profit for the city, at least until Choice Homes pulled out.

Economic Base Analysis

The economic base technique is a commonly used tool for analyzing the local economy on a broader scale than fiscal impact or market analysis; however, application of its theoretical

constructs can provide valuable insights. If we consider each project as a micro-local economy, then most of the existing jobs in any neighborhood could be considered "basic," because the service or material being produced is being purchased mainly by a population located outside of the neighborhood. Money being spent on TOADS redevelopment is basic income; thus a significant amount of money is flowing into the neighborhood economies. However, because most of the people who benefit from the lending of these monies - the lenders, developers, contractors, architects, engineers, building materials suppliers, construction workers, etc. - live, work, and shop outside of the neighborhoods, little of the money flowing into the area for redevelopment is being captured in the local economies. And while temporary construction jobs are created by redevelopment, because there are few non-basic businesses - restaurants, stores, motels, etc. - within the neighborhoods, very little of the money spent by construction workers is captured.

The income of new residents moving into the neighborhoods could also be viewed as "basic" income for the local economy, because the income is generated outside the project areas. At this time, because there are very few non-basic services - grocery stores, gas stations, restaurants, etc. - in the neighborhoods, virtually all of the income of these residents is leaking out of the local economy. Even money spent toward rent flows out of the area, as most of the property owners live and work outside the area.

If we now broaden our perspective, and consider the project neighborhoods as part of the Dallas/Fort Worth regional economy, the proportion of "leakage" is reduced dramatically. Many of the beneficiaries of the lending for redevelopment live and work within the D/FW area, and they in turn support numerous non-basic businesses by spending their income in the local economy. The consumer spending of the new residents and customers of the TOADS projects is generally spent within the Dallas/Fort Worth area, so again, the local economy benefits. In this broader perspective, the positive economic impact of TOADS redevelopment (on the D/FW area as a whole) is much

greater, but there is still significant potential for leakage, as money invested in the area may benefit persons and firms outside of the metro area.

Estimates of jobs created by the projects studied vary widely. The West End now employs more than 10,500 people, generates more than \$110 million per year in sales, and attract six to seven million visitors annually; clearly, its impacts on the city's economic base have been substantial, especially since at least half its revenue comes from tourists, thus functioning as basic dollars. The EPA Brownfields website attributed 50 new jobs to the Jefferson project, but material prepared in connection with granting the city tax abatement cited 12 permanent and 600 construction jobs. The Cedars area has considerably more jobs (13,299 in the Cedars in 1990) than residents already, so the loft redevelopments will have little permanent impact on employment there. Potential neighborhood impacts of job creation in Near Southeast and Lakewest are greater, due to the high poverty rates and lack of employment opportunities; they will ultimately support more non-basic businesses in the area, and the neighborhood economy will benefit. We were able to utilize economic base techniques to analyze the Near Southeast economy. The analysis revealed that 80 percent of the neighborhood's 346 jobs could be considered as basic, with 20 percent local; the multiplier was estimated to be 1.26. Construction jobs generated by Choice Homes were not included, as they are temporary and it was surmised that nearly all the money brought into the neighborhood actually leaked out, since nearly all employees, services and suppliers were located outside the area. However, the proposed Heritage Center project has the potential to significantly improve the neighborhood economy, creating 70 to 100 new basic jobs, which would generate 18 to 26 local ones.

Finally, the impact of additional tax revenue generated by redevelopment in the TOADS projects (expanded tax base) will produce benefits for the City of Dallas, the City of Fort Worth, Dallas County, Tarrant County, the Dallas and Fort Worth Independent School Districts, the state

(sales tax), and the federal government (increased income tax revenue attributable to job creation).

The clearest example of this is the West End, where the city received \$5.5 million in 1987 alone from sales tax (\$1 million), ad valorem tax (\$1.2 million) and parking revenues (\$3.3 million—sank to under \$2 million by 1995). Dallas Alley ranked first in the state by generating \$5.5 million in sales and liquor taxes in 1987. These tax revenues will eventually be redistributed throughout the various taxing districts; however, there is no guarantee that the taxes generated in the neighborhood will be spent in that neighborhood. If the taxing entities make a decision to reinvest taxes generated by TOADS projects in the surrounding neighborhoods (as is the case with TIF districts) then the improvements may spur further redevelopment, which in turn creates additional tax base and more revenues, and the positive economic impact of TOADS redevelopment on their surroundings should be greatly increased.

Indirect Economic and Noneconomic Impacts

TOADS redevelopment has many indirect impacts, some of which may exceed the direct economic effects; however, no attempt to quantitatively assess these impacts was made in this study. Still, they should not be forgotten; for this reason, some are briefly discussed here.

The redevelopment incentives provided by the city may broaden the City's tax base, increase neighborhood income--for example, as DINKS began to move to the Cedars the median income rose from \$6,931 in 1980 to \$19,083 in 1990 and the median house value rose from \$19,467 to \$42,500--and create demand for new local businesses. These businesses will generate new streams of municipal revenue, through sales taxes, water and sewer fees, licensing fees, etc. If these indirect economic benefits were included, it is likely that TOADS redevelopment projects would appear much more economically viable.

Another impact of redevelopment is the preservation of historic structures such as the American Beauty Mill and the South Side on Lamar projects, and nearly all of the West End's

buildings. It would be extremely difficult to place a monetary value on the preservation of our collective past, but the merit of doing so should be noted here.

While the impact of these TOADS projects on sprawl in the Dallas/Fort Worth metro area will be limited, they signal a shift in thinking about how cities should develop. By locating adjacent to mass transit facilities, higher density housing, closer to the city center is part of the solution to the numerous problems caused by urban sprawl.

Finally, impacts on nearby areas can be significant but are not included in this economic impact assessment. For example, the redevelopment of TOADS in the West End has had a very large effect on downtown Dallas. No doubt the West End's success is in part responsible for the current interest in downtown residential living, especially Jefferson at the North End. The redevelopment of the Cedars may encourage further revival in South Dallas by opening up the first segment of a "redevelopment corridor" along the DART rail line, where some redevelopment is already occurring on a limited scale. Locally, development of Southside on Lamar, in particular, has directly resulted in plans for a major country-western club and a police substation nearby. Likewise, improvements in the Lakewest area are expected to prompt adjacent property owners to improve their properties. DHA president Alphonso Jackson said that a large part of his job was to develop a plan for revitalizing the West Dallas area, with the shopping center renovation playing a key role for the entire community. The new housing construction in the Near Southeast area is part of a much larger redevelopment boom that has brought hundreds of new units to low income neighborhoods to the west, south and east of Near Southeast, but this trend is probably more affecting than being affected by the Near Southeast neighborhood's redevelopment. The Jefferson housing is part of a larger plan to build retail, offices, etc. on the remaining 11 vacant acres between the housing and the freeway; as this project and the new sports arena are developed, it is very likely that the entire neighborhood will be converted from its current TOADS-filled use.

Survey Results

Seventy-two of the surveyed jurisdictions reported between one and 45,000 TOADS within their geographical limits--producing a mean of 2,678 parcels and a total number of reported TOADS nationwide of 224,937. Adjusting for the 45 percent survey response rate, this gives an estimated number of more than half a million (522,500) urban TOADS nationwide. This probably underestimates the problem, since some cities gave no estimate of privately owned TOADS and others considered only those abandoned and tax-delinquent—admittedly by far the largest source of TOADS in most cities, but certainly not the only one. Five cities—Detroit, Baltimore, Houston, New York, and Dallas—had at least 20,000 TOADS, and three more—Buffalo, Boston and Pittsburgh—had around 10,000 apiece. These eight cities accounted for approximately 167,000 of the nation's reported TOADS. About 215,000 of the nation's 225,000 TOADS are found in 21 of the 84 cities that gave a numerical response; the rest have less than 1000 TOADS apiece. These 21 cities also ranked highly when TOADS per capita was computed, although there were some surprising changes in the order of the cities listed: for example, Macon GA ranked first in TOADS/person, surpassing Detroit. Another surprise was that nearly half of the top two dozen cities were in the south; none were located west of a line from Texas to Minneapolis.

Ownership of TOADS is concentrated in the hands of private owners but 53 cities indicated that a portion, or 100 percent for six cities, was owned by them. School districts, the county, state and federal governments were less frequently cited. Declining property values was the most prevalent and severe neighborhood effect cited.

The respondents then were given the opportunity to rank a variety of obstacles that could affect the reuse of abandoned or derelict properties within their jurisdictions. Cost of liens, development fees and other charges was the number one barrier although lack of market demand was a close second in being the most significant barrier and was mentioned most frequently. These

were followed by a closely ranked group: length of time to acquire title, lack of development financing and environmental issues. Next was poor neighborhood appearance, followed by another closely ranked group: crime/drugs, lack of infrastructure and inadequate tracking. Next were legislative constraints and problems obtaining title insurance; least mentioned was lack of interest by local officials. The “Other” category actually ranked highest of all. Responses here included lack of cooperation from owners or them expecting too much, slivers of land are too small for development, and the lack of funds at particular points such as lot cleanup and assemblage.

The last series of questions related to the costs and benefits of reusing TOADS. Table 1 provides details as to the range of costs and benefits (reported by 38 cities).

Table 1. Costs and benefits of redevelopment projects.

	Number of responses	Mean of responses	Range of responses
Project cost – public	21	\$5,935,058	\$500 - \$32 M
Project cost – private	12	\$41,482,003	\$48,750 - \$300 M
Project benefit – public	6	\$52,704,167	\$50,000 - \$300 M
Project benefit – private	4	\$753,212,500	\$50,000 - \$3 Billion

From this information it looks as if benefits far exceed costs, and both were mainly borne by the private sector. Of the 32 people who answered the question of whether the projects were worth the cost, all responded “yes.”

CONCLUSIONS AND RECOMMENDATIONS

This study showed that even with tax abatements and the presence of brownfields, TOADS redevelopment often makes economic sense for governments; thus, the hypothesis appears to be generally true. However, the direct profit to local government will be small, and in some cases the

direct public sector costs exceeded revenues. Since production of revenue for the public sector was never an important goal in these projects, this outcome is understandable.

What specific conclusions can be drawn? First, public sector revenues will increase as tax abatements expire and bonds are paid off. Thus repeating this study in 15 years might yield more positive results. The West End case shows that although substantial public support may be needed in the early years, once the economic uncertainty of developing in the area is reduced, incentives can be scaled back.

Private sector revenues apparently did exceed costs in all cases except Near Southeast. Evidence of this is found in the fact that the private sector is still active in all the other areas (in LakeWest this statement applies to the shopping center only).

The characterization--required by our analysis methods--of private sector investments (and investments from other government agencies) as “costs” results in these projects appearing much less economically favorable than do other projects, which are often described in glowing terms like, “An investment of just \$500,000 by the city resulted in \$4.5 million of private investment and leveraged \$8 million in federal funding for neighborhood projects.” This sort of description of what analysts refer to as costs, emphasizes the importance of goals in the process; often, publicly sponsored projects are never expected to come even close to repaying all the investment that is required for their completion, and in fact the number of dollars that are spent on a neighborhood revitalization project is often used as a measure of its success in attracting investment! Applying the characterization used here (of private funds and public subsidies and grants as project costs) to many non-TOADS projects--including a great deal of suburban development--would produce similar negative results.

Public incentives are important elements in the redevelopment of TOADS. In the projects profiled here, the developers indicated that public money is a primary component for removing the

potential risks of redeveloping TOADS and initiating the redevelopment process. However, each project will vary in the mix of incentives that is appropriate. Some types of redevelopment—for example, low income housing—are less cost-effective than others. In cases like the Near Southeast neighborhood and Lakewest--where private sector investment has been absent for many years, the redevelopment is geared toward the needs of existing low income residents, and significant barriers to economic viability exist--cities should provide a broad package of long term assistance and incentives. The Fort Worth case shows that in low income areas, if a wide range of assistance is not given then the locality may make money for a short time, but the program will not succeed; this finding is in line with Simonds' work, which revealed negative cost-benefit ratios for successful low income TOADS redevelopment projects to which a wide range of assistance had been given in Cleveland. This conclusion suggests that using only direct economic costs and benefits to determine positive economic impacts may be too narrow: the overwhelming support for TOADS reuse programs even when the proposed use will produce little revenue for the public sector leads to the conclusion that other measures of success are relevant, including consideration of indirect and non-economic benefits and costs. Since economic benefits are not the main reason for local public sector support of reusing these properties, local policies aimed at encouraging TOADS redevelopment must be rooted in clear assumptions about local goals and objectives. For example, if the objective is to get these properties back into some beneficial land use (rather than obtaining direct public sector economic benefits) then a policy of saving local funds by refusing to waive back taxes is counterproductive. Government should remember that a private developer will only become involved if he or she expects a return on investment that justifies the risks; localities, on the other hand, do not need such economic returns, but often have other reasons for participating (for example, to improve the city's image or to attract business). Thus it is essential that the government not place so many financial burdens on the developer that he/she withdraws. Conversely, the

developer should not be given so many financial concessions that the city subsidizes the project for years to come (as in the Jefferson case). Successful downtown redevelopment projects such as Pike Place Market, Horton Plaza, Harborplace and Fanueil Hall could be used as models for developing viable partnerships with the private sector (Frieden and Sagalyn, 1992).

For those who are interested in economic benefits, some policies do appear to be more productive than others. First, instead of using these lands for public purposes, developers that are proposing revenue-producing uses (such as those of the West End) should be sought out. They should then be offered short-term, staff-provided assistance such as relief from development fees and help with site planning, zoning and subdividing, site assembly, title clearing, survey work, and provision of infrastructure, instead of large tax abatements.

In areas experiencing high levels of market demand such as Jefferson and the Cedars, cities should focus on offering assistance with specific problems being experienced by developers—for example, title transfers, site cleanup or land assembly—and on providing appropriate public improvements such as streetscaping and transit.

The public sector must invest in the neighborhood. Residents will not feel truly comfortable living or moving into areas perceived as dangerous without streetscape and safety enhancements being made. In areas lacking them the creation of TIFs and public improvement districts (PIDs) might assist in the implementation of such improvements, although general tax revenues should also be used (as they are in most wealthy neighborhoods).

Land banking should be employed before redevelopment begins, to forestall land speculation. Further, current private owners of properties that are not TOADS must be urged not to overvalue their properties, or they may flatten the current wave of redevelopment. This problem is clear in the Near Southeast case study, where apparently some lots were not acquired before the

project began, so speculation occurred--playing a large role in the decision of Choice Homes to withdraw from the program.

In order to reduce "leakage" from the neighborhood economy reinvestment of basic income into the neighborhood should be encouraged by promoting the creation of local service businesses, which in turn should be encouraged to hire from within the neighborhood. Small business development in neighborhoods such as these can be encouraged by linkage requirements, appropriate zoning, market analyses to show prospective retail developers, and by resources such as business incubators. The use of local (Dallas/Fort Worth) lending institutions, construction contractors, professional services (architects, engineers, etc.), should also be encouraged, as should hiring workers from within the neighborhood, so that the positive economic impacts of redevelopment will be captured as much as possible.

The degree of successful neighborhood revitalization was found to correlate well with use of certain methods. For example, it is quite clear that if TOADS are to be reused on a large scale then state laws regarding TOADS and brownfields must be changed to streamline the acquisition process, reduce costs (by allowing waiver of back taxes and fees, for example), and remove liability. The survey results indicated that the greatest barriers to capturing more of this potential lie in the legal structures that govern TOADS, the lack of adequate financing, and the presence of brownfields; aspects of projects in Dallas, Fort Worth, Cleveland, Boston and elsewhere that deal successfully with these issues thus appear promising as models for reform elsewhere. These reforms are essential: without this help, the level of TOADS reuse will remain small. It was not clear that employment of a certain method—for example, tax abatements or brownfields liability reduction—increases the positive economic impact of TOADS reuse in a linear fashion. Rather, generally what happened was that if abatements, brownfields assistance, etc. were not utilized, then the TOADS simply remained unused.

It appears that brownfields are only reused when there is a good state or federal program in place to reduce liability and cost of brownfields reuse. This is an area where higher levels of government can have an effect: states and federal agencies should review their environmental regulations to make them less onerous for developers wishing to reuse contaminated sites or buildings. The brownfields programs in place in Texas, Minnesota and Pittsburgh might provide good models for the rest of the nation.

Changes are needed in many parts of the nation to streamline the legalities of the TOADS redevelopment process, so properties can be foreclosed rapidly, back taxes and fees waived, and land banking accomplished. Some states (for example, Ohio) have done this, and their work could serve as models for other states. This is the single biggest need for reform nationwide. A corollary to this is better understanding of what the law currently allows. For example, we found great variation in handling of TOADS within the state of Texas, and this led to poor use of TOADS as redevelopment tools. If the state law allows cities the option of waiving taxes and fees on TOADS, they should take advantage of this option for those parcels with development potential. Also, localities should develop a system for monitoring, tracking, and reuse of TOADS, and make it a high priority in government. If a developer met with the same response that we had in many cities, they would never consider redeveloping a TOAD.

The survey clearly indicates that the positive economic potential is enormous. This is reflected in the written comments about the redevelopment potential of TOADS as well as in the cost and benefit figures. Indeed, it is clear that the indirect benefits of TOADS reuse are compelling.

For example, let's assume (based on extrapolation of survey results) that there are about 522,500 single family or vacant residential TOADS in the US, and that the average value of a single family vacant residential lot throughout the community is \$20,000, but these TOADS are selling for an average of \$5000. The lost property value due to their status as TOADS would then amount to

\$7.8 billion. If the tax rate is just \$1.50 per hundred dollars of value then lost property tax revenues alone due to TOADS would amount to \$120 million per year. Adding in the well-documented substantial loss of value for properties adjacent to TOADS results in at least \$240 million more lost property tax revenue. Note that this estimate is very conservative since it was assumed that the TOADS have no viable structures on them and are all residential lots; that the tax rate is quite low; and that no funds are being lost from properties other than those immediately adjacent. Other losses such as sales tax are also left out. Siimilar comparative data could be generated to compare average house values per square foot in neighborhoods without TOADS to that of non-TOADS homes in neighborhoods with TOADS. Given these benefits and the magnitude of federal government subsidies provided for suburban development in the past (many of which continue to this day), it is not unreasonable to argue that federally subsidized programs to encourage redevelopment of TOADS (improved financing, investment in transit, attractive streetscaping, brownfields cleanup, subsidies for schools and other social services, etc.) are both justifiable and necessary. Programs such as FHA/VA loan guarantees and development of Interstate highways were federally funded partly because insufficient tax revenue could be generated from undeveloped land to pay for them; development would not occur otherwise; the same arguments now apply to TOADS reuse.

Finally, an isolated examination of the question whether TOADS reuse is profitable is really, in a sense, unfair. Instead comparisons should be made with the costs of leaving TOADS unused (for example, fire and police costs would probably be higher in an area with many vacant structures), because even if the costs of TOADS reuse are greater than the benefits, the cost-benefit ratio may be considerably less than that of ignoring TOADS—so given the options, reusing TOADS might produce a net economic benefit in relative terms (if not in absolute ones).

REFERENCES

- Alterman, R. and G. Cars, eds. 1991. *Neighbourhood regeneration: An international evaluation*. New York, NY: Mansell Publishing.
- Bright, E. 1996. *Economic asset and community development plan for the Near Southeast neighborhood: Fort Worth, Texas*. Arlington, TX: School of Urban and Public Affairs, University of Texas at Arlington.
- Bright, E. 1995. *Taking without compensation in low income areas: turning tragedy into opportunity*. Center for Economic Development and Service Report 95-13 (August). Arlington, TX: School of Urban and Public Affairs, University of Texas at Arlington.
- Bright, E. 1997. *TOADS: Instruments of urban revitalization*. New Orleans, LA: National Center for the Revitalization of Central Cities, University of New Orleans.
- Bright, E. 2000. TOADS: Instruments of urban revitalization. In Wagner, F., T. Joder, and A. Mumphrey Jr., eds. 2000. *Managing capital resources for central city revitalization*. New York: Garland Press.
- Bright, E. Forthcoming. *Reviving America's forgotten neighborhoods*. New York: Garland Press.
- Burchell, R. and D. Listokin. 1981. *Adaptive reuse handbook*. New Brunswick, NJ: CUPR, Rutgers University.
- Cleveland City Planning Commission. 1991. *Cleveland civic vision 2000 citywide plan*. Cleveland, OH: City of Cleveland.
- Cole, R., A. Smith, and D. Taebel. 1984. *The quality of life in Texas cities: A ranking and assessment of living conditions in Texas' largest communities*. Arlington, TX: Institute of Urban Studies.
- Cummings, S. 1998. *Left behind in Rosedale: Race relations and the collapse of community institutions*. Boulder, CO: Westview Press.
- Cunningham, P. 1993. *The political culture of planning*. New York: McGraw Hill.
- Department of Community Development. 1995. *Cleveland's field of dreams*. Cleveland, OH: City of Cleveland.
- Dietrick, S. 1998. Examining community perceptions to brownfields revitalization in Pittsburgh, Pennsylvania. Unpublished paper presented at the 40th Annual Conference of the Association of Collegiate Schools of Planning, Nov. 5-8, Pasadena, CA.
- Division of Housing. 1996. *Notice of funding availability (NOFA): Low-income housing for families and individuals*. Seattle, WA: City of Seattle.
- Feagin, J., and R. Parker. 1990. *Building American cities: The urban real estate game*. Englewood Cliffs, NJ: Prentice-Hall, Inc.
- Frieden, B. and L. Sagalyn. 1992. *Downtown, Inc.: How America rebuilds cities*. Cambridge, MA: The MIT Press.
- Gould, J. 1986. *Quality of life in American neighborhoods: Levels of affluence, toxic waste, and cancer mortality in residential zip code areas*. Boulder, CO: Westview Press.
- Greenberg, M. and F. Popper. 1994. Finding treasure in TOADS. *Planning* 24-27 (April). Chicago, IL: American Planning Association.
- Judd, D. and M. Parkinson. 1990. *Leadership and urban regeneration: Cities in North America and Europe*. Newbury Park, CA: Sage Publications.
- Keating, D., N. Krumholz and D. Perry, eds. 1995. *Cleveland: A metropolitan reader*. Kent, OH: Kent State University Press.

- Levitt, R., ed. 1987. *Cities reborn*. Washington, DC: Urban Land Institute.
- Medoff, P. and H. Sklar. 1994. *Streets of hope: The fall and rise of an urban neighborhood*. Boston, MA: South End Press.
- Martin, T. 1978. *Adaptive use*. Washington, DC: Urban Land Institute.
- Mier, R. 1993. *Social justice and local development policy*. Newbury Park, CA: Sage Publications.
- Moss, J. 1993. The revitalization of neighborhoods through nuisance abatement seizures and forfeitures S.A.F.E. team. Dallas, TX: City Attorney's Office (unpublished material).
- Olson, C. 1985. St. Paul revives an urban village. *Building Design and Construction*. Vol.26 No. 2: 63-66 (February).
- Rogowski, E. and R. Berkman. 1993. *New York's "Outer Borough" development strategy: Case studies in urban revitalization.* Working Paper No. 8 (April). New Orleans, LA: National Center for the Revitalization of Central Cities, University of New Orleans.
- Rooney, J. 1995. *Organizing the South Bronx*. Albany, NY: State University of New York Press.
- Schwartz, A. 1998. If New York can do it...Lessons from New York City's \$5 billion, 10-year capital budget housing plan. Unpublished paper presented at the 40th Annual Conference of the Association of Collegiate Schools of Planning, Nov. 5-8, Pasadena, CA.
- Simons, R., A.J. Magner and Esmail Baku. 1999. Do housing rehabs pay their way?: A national case study of the economic and fiscal impacts of housing rehabilitation on the local economy. Unpublished draft report submitted to the Neighborhood Reinvestment Corporation, Washington, DC.
- Simons, R., R. Quercia and I. Maric. 1998. The effect of new housing construction and neighborhood disinvestment on residential sales price. *Journal of Real Estate Research*. Vol 15, pp. 147-161.
- Simons, R. and D. Sharkey. 1997. Jump-starting Cleveland's new urban housing markets: Do the potential fiscal benefits justify the public subsidy costs? *Housing Policy Debate*. Vol. 8, pp. 143-171.
- Squires, G. 1994. *Capital and communities in black and white: The intersections of race, class, and uneven development*. New York: State University of New York Press.
- Van Vliet, W., ed. 1997. *Affordable housing and urban redevelopment in the United States*. Thousand Oaks, CA: Sage Publications.
- Wagner, F., T. Joder and A. Mumphrey Jr., eds. 1995. *Urban revitalization: Policies and programs*. Thousand Oaks, CA: Sage Publications.
- Wagner, F., T. Joder, and A. Mumphrey Jr., eds. 2000. *Managing capital resources for central city revitalization*. New York: Garland Press.